

Message Text

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ACTION EUR-12

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TO SECSTATE WASH DC IMMEDIATE 5677

INFO AMEMBASSY LONDON IMMEDIATE

C O N F I D E N T I A L SECTION 1 OF 2 OECD PARIS 5285

E.O. 11652: GDS

TAGS: ENRG, OECD

SUBJECT: IEA: PRODUCER/CONSUMER DIALOGUE

1. SPC CHAIRMAN (WILTON) HAS CIRCULATED FOLLOWING NOTE
AND DRAFT BRIEF FOR USE BY CONSUMER DELEGATIONS AT THE
PREPARATORY MEETING WITH PRODUCERS.

BEGIN TEXT:

AGENDA FOR SUBSTANTIVE DISCUSSIONS

THE OPEC COMMUNIQUE ON 26 JANUARY DECLARED THAT THE CONFERENCE W
OULD "DEAL WITH PROBLEMS OF RAW MATERIALS
AND DEVELOPMENT".

THE STANDING GROUP HAS AGREED TO PROPOSE A DRAFT
AGENDA OF A MORE LIMITED KIND.

ANNEX A CONTAINS ARGUMENTS WHICH MIGHT BE DEPLOYED
TO RESIST THE FORMER AND PROMOTE THE LATTER.

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ANNEX B CONTAINS ARGUMENTS IN SUPPORT OF THE

PARTICULAR ITEMS CONTAINED IN THE STANDING GROUP'S
DRAFT AGENDA.

ARGUMENTS TO RESIST A WIDER AGENDA THAN THAT PROPOSED
BY THE STANDING GROUP

1. WE AGREE THAT THE BROAD ISSUES OF RAW MATERIALS
AND DEVELOPMENT DESERVE DISCUSSION. THERE ARE MANY
INTERNATIONAL OPPORTUNITIES FOR THIS (E.G. IN THE
SPECIAL SESSIONS OF THE GENERAL ASSEMBLY IN APRIL 1974
AND SEPTEMBER 1975). WE SEE NO ADVANTAGE IN DUPLICATING
IN THE ENERGY MEETINGS THE DEBATES OF THE SPECIAL
SESSION. ENERGY ISSUES ARE SUI GENERIS AND NEED
SPECIAL TREATMENT.

2. THE PURPOSE OF A DIALOGUE BETWEEN CONSUMERS
AND PRODUCERS OF OIL IS TO COMPLEMENT THE WIDER DEBATE
BY DETAILED EXAMINATION OF SPECIFIC ISSUES IN THE BELIEF
THAT THIS WILL SERVE THE INTERESTS OF ALL PARTIES. IF
WE WIDEN THE SCOPE OF DISCUSSION, WE SHALL REDUCE
THE PROSPECT OF UNDERSTANDING AND AGREEMENT.

3. THE COUNTRIES SPECIALL INTERESTED IN OIL ARE
NOT THE SAME AS THOSE INTERESTED IN OTHER RAW MATERIALS.
THE COMPOSITION ENVISAGED FOR THE CONFERENCE IS
APPROPRIATE FOR DISCUSSION OF OIL, BUT NOT FOR A
DISCUSSION OF OTHER RAW MATERIALS.

4. WE MAKE NO ATTEMPT TO MUZZLE PARTICIPANTS. ANY
DELEGATION WILL OF COURSE BE FREE TO BRING UP ANY MATTER
RELEVANT TO THE ENERGY CRISIS. THE DRAFT AGENDA
PROVIDES FOR A GENERAL DEBATE. BUT WE BELIEVE THAT
DISCUSSION SHOULD FOCUS ON THE CRUCIAL ENERGY QUESTIONS
AND THEIR FINANCIAL IMPLICATIONS.

5. NO OTHER RAW MATERIALS HAVE A QUANTITATIVE OR
QUALITATIVE IMPACT ON THE WORLD SITUATION COMPARABLE TO
THAT OF OIL.

6. WE ARE LOOKING FOR A PACKAGE OF MEASURES WHICH
COULD MEET THE INTERESTS-AND THE ANXIETIES- OF ALL
NATIONS. THE AGENDA SHOULD BE CAST IN GENRAL TERMS,
DESIGNED TO HELP IDENTIFY SUCH A PACKAGE.

7. WE THOUGH IT USEFUL TO LIST (ITEMS 1-7 IN
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THE DRAFT AGENDA) THE MAJOR AREAS OF COOPERATION WHICH
MIGHT FORM COMPONENTS OF SUCH A PACKAGE. IF THE
CONFERENCE WISHED, THESE MIGHT BE HANDLED IN SEPARATE

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WORKING GROUPS.

8. THE AGENDA SHOULD AVOID PREJUDICIAL FORMULATIONS. (E.G. THE PRODUCERS WOULD NO DOUBT RESIST AN AGENDA ITEM ENTITLED "REDUCTION IN OIL PRICES". THE CONSUMERS WOULD RESIST AN ITEM ENTITLED "INDEXATION OF OIL PRICES". THE QUESTION IS WHETHER A REDUCTION IN OIL PRICES AND/OR INDEXATION WOULD CONTRIBUTE TO A SUITABLE PACKAGE. THE APPROPRIATE NEUTRAL FORMULATION IS "OIL PRICES").

(N.B. THIS ARGUMENT CAN BE USED MUTATIS MUTANDIS, TO OPPOSE THE INCLUSION OF OTHER PREDJUDICIAL FORMULAE- E.G. INDEXATION OF INVESTMENTS; PRODUCER INFLUENCE ON THE INTERNATIONAL MONETARY SYSTEM; CONSUMER GOVERNMENT TAXATION; INFLATION)

9. IT WILL OBVIOUSLY BE NECESSARY AT THE END OF THE DAY TO DRAW THE THREADS TOGETHER BY DISCUSSING WHAT CONCLUSIONS HAVE MERGED AND POSSIBLE ARRANGEMENTS FOR FURTHER CONSULTATION.

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AGRUMENTS TO DEFEND THE FORMULATIONS IN THE STANDING
GROUP'S DRAFT AGENDA

1. "THE ECONOMIC DEVELOPMENT OFPRODUCER
COUNTRIES...."

(A) THE INTERST OF PRODUCERS IN THEIR OWN DEVELOP-
MENT IS SEFL-EVIDENT.

(B) CONSUMERS HAVE THE NECESSARY TECHNOLOGY AND
OTHER RESOURCES.

(C) ECONOMIC DEVELOPMENT CAN BE BEST ACHIEVED BY
COOPERATION BETWEEN PRODUCER AND CONSUMER COUNTRIES.

(D) ALL COUNTRIES HAVE AN INDIRECT INTEREST IN THE
DEVELOPMENT OF THE ECONOMIES OF PRODUCER COUNTRIES SO AS
THE HELP THEM ABSORB THEIR REVENUES PRODUCTIVELY, THUS
AVOIDING THE DESTABILIZING EFFECT OF MASSIVE SURPLUSES.

(E) COOPERATION IN THIS FIELD SHOULD RESULT IN MORE
RATIONAL USE OF RESOURCES OF BOTH PRODUCERS AND
CONSUMERS AND REDUCE TENSIONS BETWEEN THEM.

2. "THE ECONOMIC DEVELOPMENT OF ...DEVELOPING
CONSUMER COUNTRIES..."

(A) THE NEED FOR DEVELOPMENT IS CLEAR BOTH IN
ECONOMICS AND HUMANITY.

(B) PRODUCERS HAVE CAPITAL; CONSUMERS HAVE
TECHNOLOGY; COOPERATION BETWEEN THEM IN DEVELOPMENT
PROJECTS IN THIRD COUNTEIS SHOULD RAISE THE GENERAL
LEVEL OF ECONOMIC ACIIVITY AND PROSPERITY IN THE WORLD
AND IS WORTH SERIOUS EXAMINATION.

(C) AS IN 1 (C) AND (E) ABOVE.

3. "SHORT-TERM FINANCIAL FLOWS"

(A) SUDDEN CHANGES IN THE OIL MARKET HAVE CREATED
NEW PROBLEMS FOR THE INVESTMENT OF LARGE FINANCIAL
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ASSETS OF SOME MAJOR PRODUCERS. THEY NEED SECURE AND
PROFITABLE INVESTMENTS.

(B) EXISTING FINANCIAL INSTITUTIONS ARE UNDER
STRAIN.

(C) ALL HAVE AN INTEREST IN THE INTERNATIONAL FINANCIAL SYSTEM AND IN PREVENTING A DEEPENING OF THE WORLD RECESSION.

4. "LONGER TERM INVESTMENT IN INDUSTRIALIZED CONSUMER COUNTRIES"

(A) THE SITUATION OF SURPLUS/DEFICIT WILL PERSIST FOR SOME TIME.

(B) LONG-TERM INVESTMENTS IN INDUSTRIALIZED COUNTRIES CAN BENEFIT ALL PARTIES.

(C) FOREIGN INVESTMENT IS A SENSITIVE ISSUE IN MANY COUNTRIES. THERE IS A NEED FOR MUTUAL UNDERSTANDING AND A HARMONIZING APPROACH TO THESE QUESTIONS SO AS TO AVOID DIFFICULTIES.

5. "SECURITY OF SUPPLIES AND OF THE OIL MARKETS"

(A) PRODUCERS NEED ASSURANCE OF A CONTINUING MARKET.

(B) CONSUMERS NEED ASSURANCE OF SECURITY OF SUPPLY.

(C) STABILITY OF THE OIL MARKET WOULD PRODUCE ECONOMIC BENEFITS FOR BOTH PRODUCERS AND CONSUMERS (E.G. IN MORE ACCURATE PLANNING) AND CONTRIBUTE TO MORE RATIONAL USE OF FINITE WORLD RESOURCES.

6. "OIL PRICES"

(A) PRODUCERS NEED ASSURANCES THAT PRICES WILL NOT SUDDENTLY COLLAPSE IN THE FUTURE AND WANT TO MAXIMIZE THEIR REVENUES OVER TIME.
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(B) CONSUMERS' ECONOMIES HAVE BEEN SEVERELY BURDENED BY THE SPEED OF RECENT PRICE RISES; THEY NEED ASSURANCES AGAINST SUDDEN MOVEMENTS.

(C) HIGH PRICES HAVE REDUCED DEMAND FOR OIL AND MADE NECESSARY SOME RESCHEDULING OF PRODUCTION. IT WILL BE IN THE GENERAL INTEREST FOR THESE PROBLEMS TO BE DISCUSSED BETWEEN PRODUCERS AND CONSUMERS.

(D) IF PRICE LEVEL COULD BE AGREED BY COOPERATION AND AN ACCEPTABLE MECHANISM FOR ADJUSTING OIL PRICES COULD BE IDENTIFIED, THIS COULD TAKE OIL PRICES OUT OF

POLITICS AND REDUCE ECONOMIC AND POLITICAL TENSIONS.

7. "THE DEVELOPMENT OF EMERGY RESOURCES"

(A) DEVELOPMENT OF ENERGY RESOURCES WOULD BENEFIT ALL PARTIES BY INCREASING THE WORLD'S SUPPLY OF ENERGY AND REDUCING THE DEMAND FOR DIMINISHING FOSSIL FUEL RESOURCES.

(B) THE BENEFITS OF SUCH DEVELOPMENT COULD BE EQUITABLY DISTRIBUTED BY COOPERATION.

(C) INVESTMENT IN ALTERNATIVE ENERGY RESOURCES WILL BE REQUIRED; IT IS A PROSPECT IN WHICH PRODUCERS HAVE SHOWN INTEREST; THE ISSUES SHOULD BE DISCUSSED
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